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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
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RUEHBJ/AMEMBASSY BEIJING 2736  
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RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUEHGV/USMISSION GENEVA 1101  
RUEHVEN/USMISSION USOSCE 3127  
RUCNDT/USMISSION USUN NEW YORK 2513  
RUEHNO/USMISSION USNATO BRUSSELS BE  
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RUEHLMC/MILLENNIUM CHALLENGE CORP  
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C O N F I D E N T I A L SECTION 01 OF 02 BISHKEK 001132

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SUBJECT: TURKS COUNSEL KYRGYZ PRIME MINISTER ON INVESTMENT  
ISSUES

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Classified By: Amb. Tatiana Gfoeller, Reason 1.4 (b) and (d).

11. (C) Summary: The Turkish Ambassador to the Kyrgyz Republic briefed the Ambassador November 5 on Kyrgyz Prime Minister Chudinov's recent visit to Turkey. While not making any explicit promises regarding Chudinov's request for \$60 million in bilateral debt forgiveness, the Turkish Ambassador said officials in Turkey pressed Chudinov on the importance of transparency and progress against corruption in the Kyrgyz Republic. Turkish officials reportedly told Chudinov that reliance on Russian, Chinese and Kazakh investment would be "politically stupid," and could threaten the Kyrgyz Republic's independence. The Turks reasoned with him that Western countries, including Turkey, would be better sources of investment because they lacked "political designs" on the Kyrgyz Republic. Chudinov "made all the right noises in response" and generally impressed his hosts with his command of Kyrgyz economic realities. End summary.

Making an Appearance  
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12. (C) On the sidelines of the Ambassador's November 5 U.S. elections event (septel), Turkish Ambassador Serpil Alpman briefed the Ambassador on Kyrgyz Prime Minister Igor Chudinov's October 31 - November 1 visit to Turkey. Alpman attended the meetings in Turkey, and said Chudinov appeared "statesmanlike, in charge, and knowledgeable about economic issues." She said these impressions registered with Turkish officials, but remarked that they contrasted with what she considered his less impressive image on home turf in the Kyrgyz Republic.

Debt Forgiveness  
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13. (C) Alpman told the Ambassador that, prior to his trip, Chudinov had approached the Turkish Ambassador with a request that Turkey forgive the Kyrgyz Republic's \$60 million

bilateral debt to Turkey. She reportedly advised him that Turkey has a firm policy of not forgiving debt. Chudinov, she reasoned, decided to make a direct approach to Turkish officials during the recent trip. Alpman told the Ambassador she forewarned Turkish officials of the impending request, and considered the resulting Turkish response that it would "review" Chudinov's request a "success." She added that Turkish officials emphasized that any consideration of this request would require prior Kyrgyz action to improve economic and investment conditions in the Kyrgyz Republic, to include greater transparency and increased efforts against corruption.

#### Investment Models

14. (C) Turning to the investment climate in the Kyrgyz Republic, Alpman praised the World Bank's recent Doing Business survey, but lamented that it did not reflect investment conditions on the ground. She reasoned that the "Kyrgyz ruling class" is solely focused on short-term personal financial gain. Alpman then added that Turkish officials cautioned Chudinov that a reliance on Russian, Chinese and Kazakh investment would be "politically stupid," and could result in a loss of Kyrgyz "independence." "The Kyrgyz government should welcome Western (including Turkish) investment," Turkish officials reportedly told Chudinov, "because we have no political designs on you."

15. (C) Alpman told the Ambassador that she had advised Chudinov that Turkish investors prefer the Kyrgyz Republic over its Central Asian neighbors, but that many Turkish businesspeople are waiting for Kyrgyz reforms before making any investment in the Kyrgyz Republic. The Turkish

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government, she said, wants to encourage Turkish investment in the Kyrgyz Republic. But, she concluded, short-term views predominate among Kyrgyz officials, who do not care about long-term issues of improving the investment climate or even securing their country's independence.

#### Budgetary Concerns

16. (C) Alpman lamented Kyrgyz budgetary imbalances for the past five years, and noted that the Kyrgyz are spending more than they have been receiving. She believed this problem might permit outsiders "to buy them up." In a later November 5 conversation with the Ambassador, World Bank Resident Representative Roger Robinson commented that such imbalances were not necessarily negative.

#### Comment

17. (C) As Turkey is one of the top ten sources for investment in the Kyrgyz Republic and Turkish companies are already heavily represented in the consumer goods sector, Alpman has had a large community of fellow Turks to query concerning business and investment conditions in her nearly four years of serving in Bishkek. Points raised by Chudinov's interlocutors in Turkey regarding transparency and the fight against corruption echo similar concerns the Embassy has raised previously with Kyrgyz officials. While it is unclear if Chudinov will be able to make any appreciable efforts to realize such changes, it is reassuring to hear that these points are being reinforced by our allies. GFOELLER